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STATE FOR NEA/ARP, NEA/PI, EB/IFD/OMA
ABU DHABI FOR MGRIFERTY AND MHOPKINS

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TAGS: [ECON](#) [EFIN](#) [EINV](#) [PREL](#) [KMPI](#) [MU](#)

SUBJECT: BOND MARKETS AND SME DEVELOPMENT ON CMA AGENDA

Classified By: Ambassador Gary A. Grappo, reasons 1.5 b and d

¶1. (U) This is an action message. Please see paragraph 7.

¶2. (C) On September 11, the Ambassador discussed the recent rise in Oman's securities market with Capital Market Authority (CMA) Executive President Yahya al-Jabri. Al-Jabri commented that the 140-firm Muscat Securities Market (MSM) had so far performed well in 2006, in contrast to the weaker performance of other GCC markets. Noting that Oman experienced a similar slide in 1997, al-Jabri highlighted that government actions in separating the market's regulatory, trading, and depository functions had buttressed the market's 6% rise this year. He believed that excess Saudi liquidity had resulted in the "sacrifice of the quality of assets," and remarked that the Saudis' minimal presence in the MSM also insulated it from the declines experienced by other GCC markets.

¶3. (C) On efforts to create a bond market, al-Jabri pointed out that the concept ran counter to the GCC's culture of investing only in the equities market. Nevertheless, al-Jabri mentioned that the CMA's relationship with the U.S. Treasury regional office in Abu Dhabi was important to its bond market development efforts, as was the support the CMA has received from the World Bank. Al-Jabri further commented that Oman would participate in a bond market development study, but that the CMA still needed to convince the Ministry of Finance that creation of such a market would be a positive development.

¶4. (C) The Ambassador inquired about the formation of a unified GCC exchange, to which al-Jabri replied, "We are dreaming sometimes. Sometimes dreams become realities." He continued that the GCC was not actively working toward a common exchange, preferring to concentrate its efforts on developing a single currency. In the interim, al-Jabri explained that the CMA had signed an agreement with its UAE counterparts to link the markets in Muscat, Abu Dhabi, and Dubai, where brokerage firms in any of the three markets could place an order with firms in the other two.

¶5. (U) Al-Jabri predicted that the upcoming U.S.-Oman Free Trade Agreement would provide across-the-board benefits to foreign investors, private sector interests, and labor, among other beneficiaries. He also signaled the CMA's interest in participating in a proposed FTA promotional tour of the United States, as well as its interest in co-sponsoring, in conjunction with the USG and the Oman Development Bank, technical assistance efforts to develop small and medium-sized enterprises (SMEs).

6 (C) Comment. Al-Jabri's interest in promoting transparency, supporting additional investment vehicles, and

developing programs to assist small businesses shone through during the meeting. Under his leadership, the CMA has issued a series of disclosure regulations that require companies to disclose their investment portfolios and publish financial results in the press. The CMA is currently in the process of adopting additional disclosure requirements, including regulations governing dealings on an insider basis. Al-Jabri, who is chairman of a microfinancing bank in Pakistan, is also keenly interested in promoting programs that assist Omanis in starting their own businesses. End Comment.

17. (U) Action request. In light of al-Jabri's interest in promoting the development of SMEs, Embassy would appreciate the identification of relevant MEPI-funded technical assistance programs.
GRAPPO